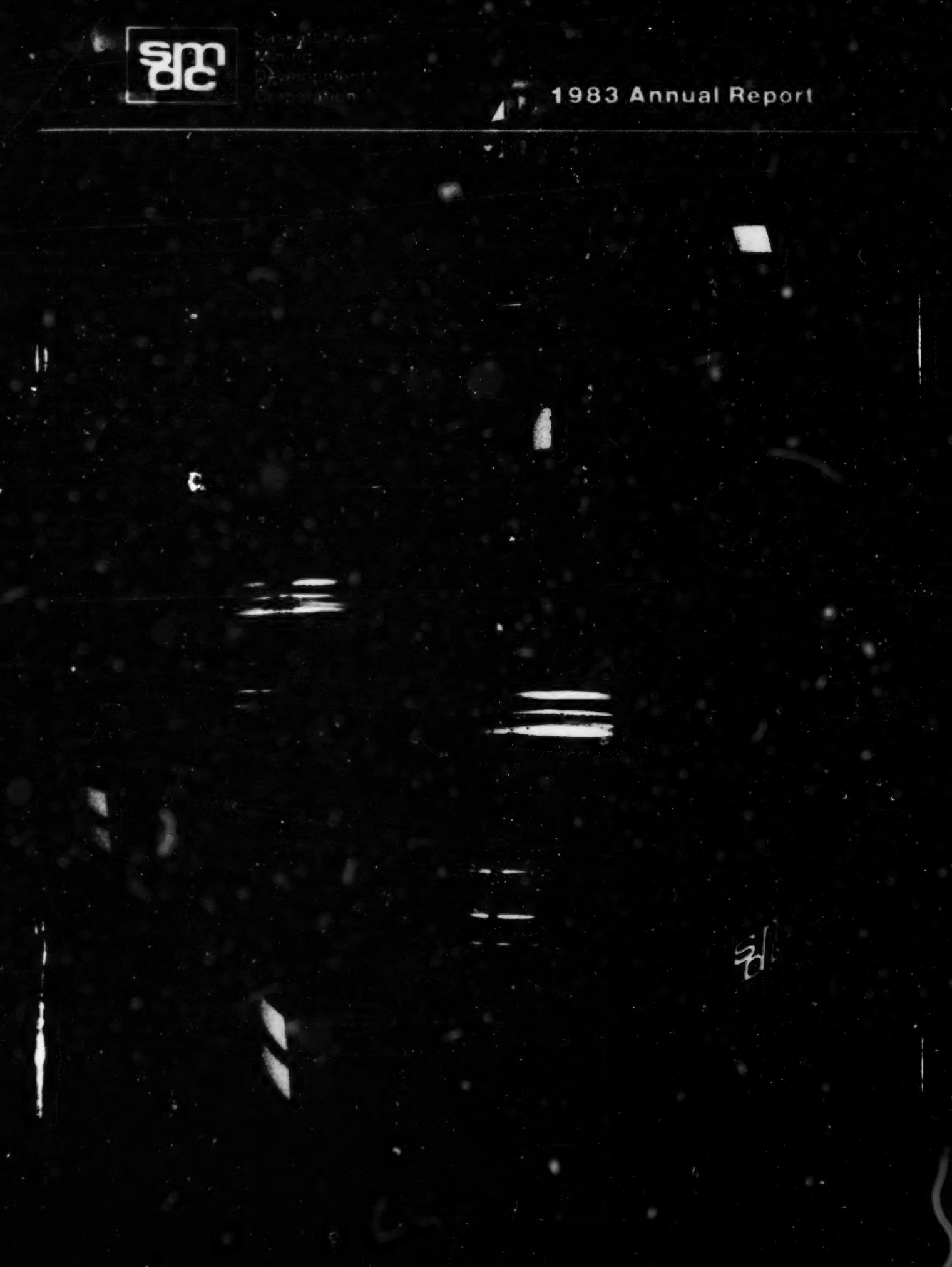
smdc

1983 Annual Report



Letter of Transmittal

Eric Berntson

March 28, 1984

To His Honour
The Honourable Frederick W. Johnson
Lieutenant-Governor of the
Province of Saskatchewan

Dear Sir:

I have the honour to transmit herewith the annual report of Saskatchewan Mining Development Corporation for the year ending December 31, 1983, including the financial statements in the form requested by the Treasury Board and duly certified by the auditors of the Corporation.

Respectfully submitted,

Eric Berntson
Minister in charge of
Saskatchewan Mining
Development Corporation

The first drum of yellowcake (U_3O_8) was packaged at the Key Lake mine on October 20.

Contents

84- 3061 /

Left to right: Eric Berntson, E.W. (Staff) Barootes, Allan Brigden, Helen Swan, Herbert Morrison.

Board of Directors

* E.W. (Staff) Barootes
Chairman of the Board
Regina

Honourable Eric Berntson
Deputy Premier
Minister of Economic Development and Trade
Regina

* Allan Brigden
Kisbey

• Lorne Humphreys
Moose Jaw

• * Herbert Morrison
Saskatoon

* Walter Nelson
Avonlea

• Helen Swan
Saskatoon

SMDC Management

Roy Lloyd
President

David Francis
Executive Vice President
Operations

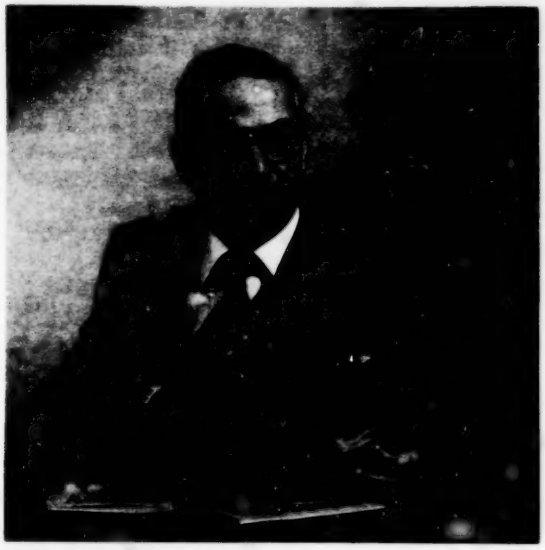
Jim Bonny
Vice President
Marketing & Corporate Development

† Arnold Hillier
Vice President
Finance & Administration

Don Somers
Vice President
Corporate Affairs

• Audit Committee Members
* Compensation Committee Members
† Corporate Secretary

Message from the Chairman of the Board



E.W. (Staff) Barootes
Chairman

As Chairman of the Board of Saskatchewan Mining Development Corporation, I share with other Board members responsibility for the overall direction and profitability of the Corporation. The past year was one of solid achievements for the Corporation. One major project, the Key Lake uranium mine, reached the pre-production phase and several other projects were upgraded and advanced.

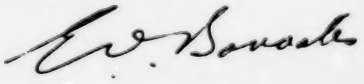
The Board is pleased to declare a dividend of $1.2 million based on consolidated net earnings of $2.1 million for the year.

The start-up of the Key Lake mine/mill complex inaugurates more than the western world's largest uranium mine. It places Saskatchewan firmly on the international stage as a world-class developer and exporter of another high-quality resource. Saskatchewan's international trade in potash, uranium and agricultural products contributes significantly to Canada's foreign exchange earnings and brings international recognition to this province.

The successful farmouts and sales of equity participation in some of the Corporation's uranium properties to foreign electrical utilities are particularly encouraging since they demonstrate both the long-term commitment to nuclear power by the utilities and their confidence in SMDC and in Saskatchewan as a secure and stable source of their uranium fuel supply.

As the Key Lake project moves into commercial production in 1984, the objectives of the Board of Directors will be to provide a fair rate of return on the investment and to reduce the Corporation's heavy debt burden. In addition, the Board will endeavour to direct the Corporation in such a way that it will be in a healthy financial condition. This will enable it to take full advantage of expanded ore reserves which promise continued world-class developments.

On behalf of the Board, may I express our appreciation to the management and staff of SMDC. They play an essential part in securing for this Corporation and for Saskatchewan a prominent role in the international market-place.



Message from the President

Roy E. Lloyd
President

1983 marked a significant milestone for the Corporation. After nine years of participation in the uranium industry in Saskatchewan, SMDC's first joint venture, which led to the discovery of the Key Lake uranium deposits, reached fruition with the completion of construction of the Key Lake open-pit mine and mill and the production of the first pound of yellowcake on October 20. Tune-up of the mill facilities continued throughout the remaining two months of 1983, with pre-production reaching a total of 1.1 million lbs. U_3O_8, of which 550,000 lbs. was SMDC's share. In November and December, the first shipments of SMDC's share of Key Lake production had been sent to the Canadian UF_6 conversion plant.

With the commencement of commercial production in 1984, the majority of SMDC's assets will begin generating earnings for the Corporation. When operating at its full capacity of 12 million lbs. U_3O_8 annually, the Key Lake project will produce over 10% of the uranium fuel used by the western world in the generation of nuclear electricity.

From a construction perspective, the Key Lake mine/mill complex represents one of the largest projects in Saskatchewan history, reaching a manpower peak of 1400 workers during this past summer. It was completed basically on schedule and under budget. Expenditures on the project by the joint venture owners during the past 20 months exceeded $400 million with 63 of the 89 principal construction contracts having been awarded to Saskatchewan-based firms.

Production from the Cluff Lake project was 1.8 million lbs. U_3O_8 this year. Milling of high-grade ore was completed and the processing of the remaining Phase I gravimetric residues through a small solvent extraction plant was commenced to bridge the gap between Phase I and Phase II production. The decision to proceed with Phase II was taken early in 1983 after markets were secured late in 1982 for the output from the second phase.

Construction commenced in June of this year and involves the modifications and expansion of the existing mill and the development of five new orebodies, three open pit and two underground. The Phase II project will extend the life of the operation by 10 to 15 years. SMDC's share of the related development and capital costs will total $24 million. To date, construction is on schedule for completion in the fall of 1984 and costs are within budget.

Consolidated net earnings for 1983 were $2.1 million, from which a dividend of $1.2 million has been declared.

SMDC's 20% share of Cluff Mining generated sales revenues of $13.5 million. Deferred revenue from the presale of Key Lake production amounted to $48 million. Gains on the sale of a 4.5% interest in the Dawn Lake project and a 50% interest in the Mafeking lime project amounted to $1.8 million. Interest and exchange contributed $2.4 million to net earnings.

The long term market outlook for uranium remains encouraging, even though surplus inventories and excess productive capacity will tend to hold spot prices at a depressed level in the short term. Western world consumption of uranium fuel is expected to grow at a 5% annual rate through to 1995 with reactor consumption projected to outstrip the capacity of operating mines by 1988. As world-wide inventory levels decrease, it is expected that new productive capacity will be needed in the early 1990's.

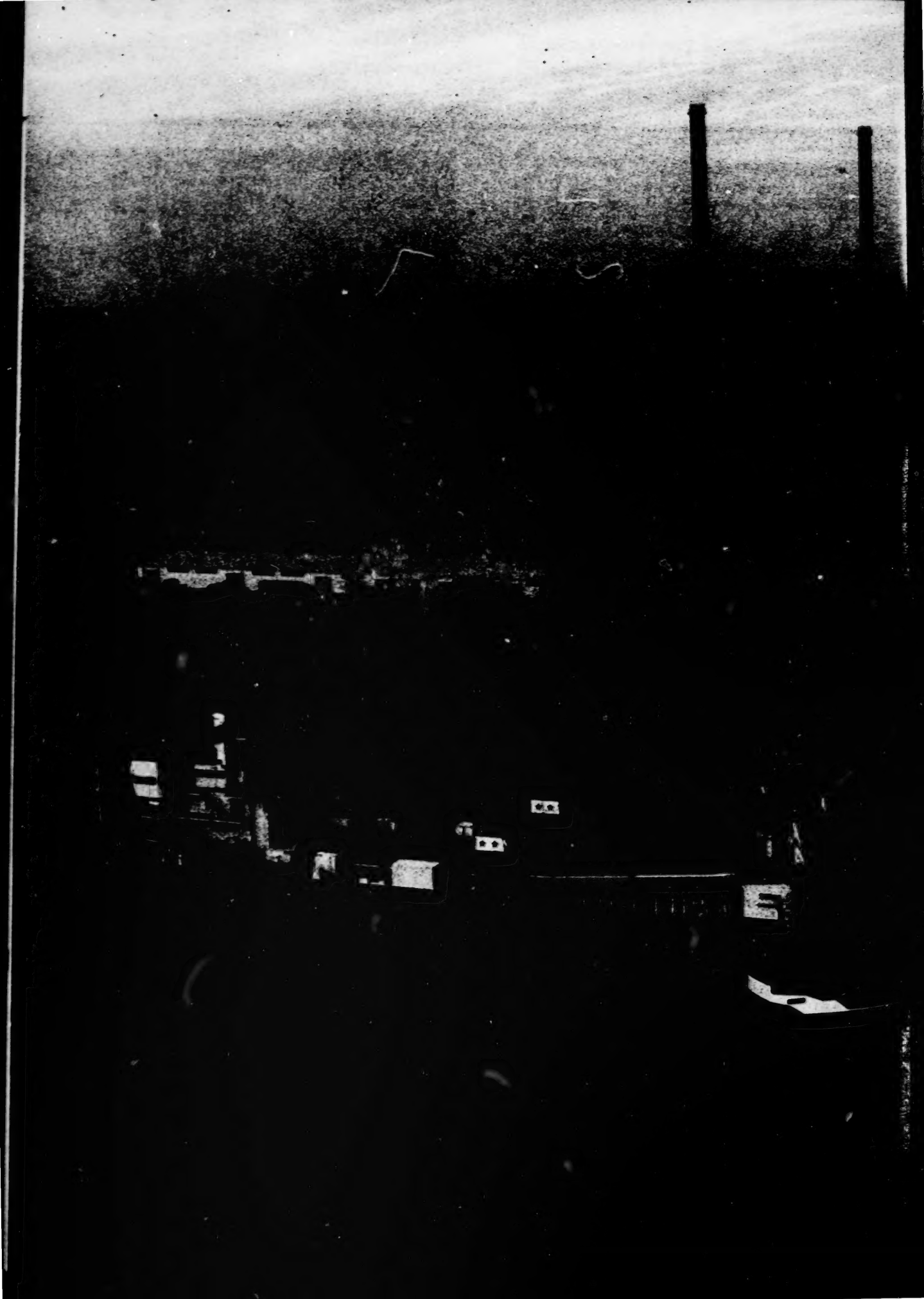
During the year SMDC made deliveries to Canadian, European, U.S. and Asian utilities with borrowed concentrates which the Corporation will repay with future Key Lake production.

The Corporation's drill-indicated uranium reserves were approximately doubled by virtue of 1983 exploration and delineation drilling programs. The major increase in the Corporation's reserve position results from exploration success on the Waterbury Lake project where the 1983 drilling results at Cigar Lake indicated a large, very high-grade deposit capable of being developed to meet the needs of the market. SMDC is a 50.75% partner in the venture with the three other participants in the project being SERU Nucléaire, the project operator, Idemitsu Kosan and Corona Grande Exploration Corporation.

The gold exploration program also provided some encouraging results, particularly on the SMDC-operated Star Lake project where three drill holes intersected significant grades of gold mineralization over core intervals of up to 15 metres.

On the base metals side, the Bigstone project continued to be encouraging with the 1983 program indicating 3 million tons of 2.6% copper and 700,000 tons of 10% zinc.

Notwithstanding the generally depressed state of the metals market, excellent progress has been made by the Corporation in those areas which are critical to the Corporation's longer-term development, viability and overall position in the industry. Much of the credit for this progress must go to the responsiveness of our staff to changes in the marketplace and their dedication to cash conservation in these difficult economic times for the mining industry, coupled with the direction and support of our Board of Directors.



With the emergence of an active secondary market for converted and enriched uranium in direct competition with uranium concentrates, the market became progressively more complex during the course of the year. Demand was adversely affected by a number of factors, particularly the high levels of inventories held by electric utilities. In order to reduce inventory levels, utilities have been selling uranium concentrates (U_3O_8), uranium hexafluoride (UF_6) and enriched uranium in competition with uranium producers. In the United States, delays in the completion of construction of nuclear generating stations, as well as cancellations, have exacerbated the inventory problem. In spite of this situation, uranium production in the western world continued to exceed reactor consumption, a circumstance which has persisted since the beginning of the nuclear power industry.

While reactor cancellations and construction delays in the United States attracted most of the media's attention, the reactor programs of other countries are generally remaining on course. Even in the United States, there are 86 reactors with operating licenses and more than 50 reactors with construction permits. Japan has 25 reactor units in operation and another 13 under construction. France has scaled back its program to accommodate the rate at which electricity can be substituted for other forms of energy and a lower forecast of energy demand. Nevertheless, France has the most dynamic nuclear electricity program in the world with 31 units in operation and another 29 under construction.

Sweden, where there has been much informed debate about the merits of nuclear energy, is successfully completing a program of 12 nuclear units which will generate more than 40% of that country's electricity.

SMDC was able to compete aggressively in the 1983 uranium market. The high ore grade at Key Lake, the extent and quality of SMDC's uranium reserves and Canada's political stability and long history of exporting uranium are all viewed favourably by utilities seeking competitive prices and security of uranium supply.

In 1983, deliveries of uranium concentrates were made to utilities in Canada, Europe, the United States and Asia. Since the Key Lake mine did not come into operation until year end, all deliveries were made with borrowed uranium concentrates; however, in November and December, the first lots of Key Lake uranium were shipped.

All sales of uranium from the Cluff Mining operation in 1983 were made to Cogema of France. This nuclear fuel company will continue to be the major customer for product from Cluff Mining under existing long-term contracts. Production from this operation is fully committed through 1985. Commencing in 1986, SMDC will directly market 440,000 lbs. U_3O_8 annually, including over 300,000 lbs. a year which is committed to Cogema under a long-term contract. SMDC also has certain options with respect to any additional uncommitted production after 1985.

Although a significant portion of SMDC's share of Key Lake and Cluff Lake uranium has been committed, the Corporation's marketing mission for Key Lake product is not yet completed. Its success in the market will determine when new mine development commitments can be made.

SMDC supplies uranium concentrates to fuel the twin 570 Mwe reactors at the Barseback generating station near Malmo, Sweden. The ship 'Sigyn' is specially designed to transport spent fuel. Photo courtesy Sydkraft.

SMDC's operating mining projects, the Key Lake and Cluff Lake uranium mines, are both located in northern Saskatchewan. The Key Lake mine is operated by Key Lake Mining Corporation (KLMC), a joint venture operating company owned by SMDC (50%), Uranerz Exploration and Mining Limited (33 1/3%) and Eldor Resources Limited (16 2/3%). Cluff Mining is owned by Amok Ltd./Ltée (80%) and SMDC (20%) with Amok as operator of the project.

Key Lake Mine

Highlights:

- Completed construction in September 1983. Total exploration, development and capital costs for the Key Lake project were more than $500 million.
- Input of first ore to Secondary Crushing and Grinding plant occurred October 3.
- Washing, drying, calcining and packaging circuit began operating October 20.
- Shipment of first product to Canadian conversion plant on November 9.
- Attained mill recovery rate of 95% (percentage of uranium recovered from the ore).
- Year-end stockpile of broken ore was sufficient to meet mill feed requirements through to the fall of 1984.
- Achieved pre-production of 1,100,723 lbs. U_3O_8. The average pre-production throughput per operating day was 16,100 lbs. U_3O_8 or 47% of design capacity. At year end, the mill remained in the start-up phase, with commercial production expected in early 1984.

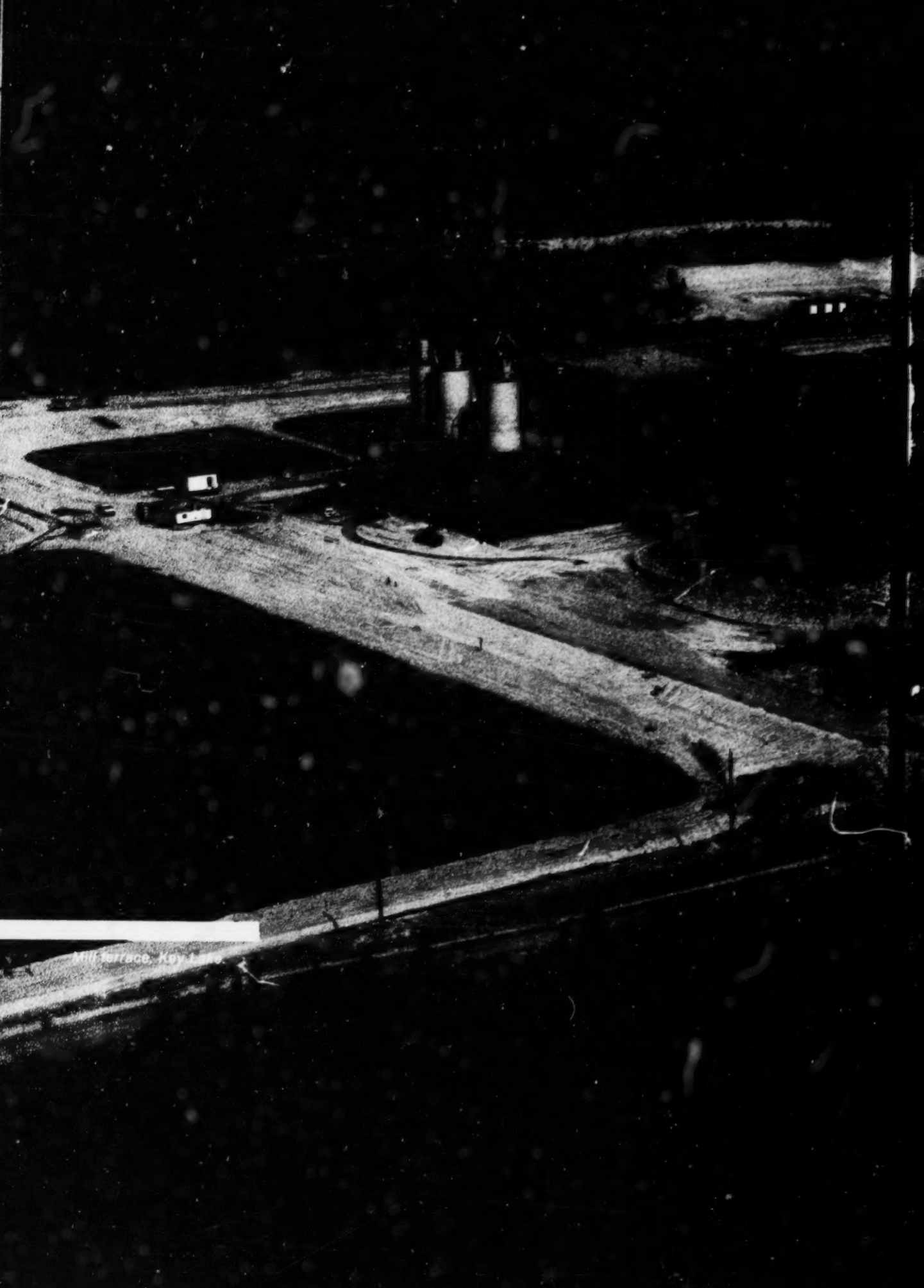
From exploration to operation, the Key Lake project has spanned a period of thirteen years. Although initial exploration in the Key Lake area started in 1971, SMDC's interest in the project dates from 1974. The two major orebodies, Gaertner and Deilmann, were discovered in 1975 and 1976. Subsequent to environmental studies and public hearings, site preparation began in the summer of 1981 and construction was completed in September 1983.

As with all projects of this magnitude, the need for some technical modifications became apparent during the start-up of the mill. For example, difficulties were experienced in the crushing and grinding area because the higher-than-expected clay content of the ore caused plugging problems in both the primary and secondary crushers and in the coarse-ore handling circuit. Problems of this nature are being overcome on an interim basis by modifications in operating procedures until permanent adjustments to the system and equipment can be implemented.

Drill-indicated reserves support a mine-life of 15-18 years. There is potential for the discovery of further uranium deposits in the immediate area.

A pre-coat filter is re-assembled in the solution pre-treatment area. This equipment clarifies the uranium-bearing solution to ensure it is free of solids prior to entering the solvent-extraction stage of the milling process.

Gaertner pit, Key Lake



Cluff Mining

Highlights:

- Production during 1983 totalled 1,773,551 lbs. U_3O_8.
- Completed processing of Phase I ore at the end of February, with a total of 591,544 lbs. U_3O_8 recovered from 782 tons of ore. This mill had been designed and constructed to process the extremely high-grade (up to 40% U_3O_8) ore of the 'D' orebody.
- Operation of the solvent extraction circuit, designed to reprocess residues from the Phase I milling process, began in April 1983. Production from this source totalled 1,182,007 lbs. U_3O_8 recovered from 33,800 tons of gravimetric residues with an average recovery rate of 90.8%.

Work continued during 1983 on the design and construction of Phase II mine and mill facilities which will involve the mining and milling of more conventional grade ore. Phase II production is scheduled to commence in October 1984. The mill will have an annual production capacity of a minimum of 2.2 million lbs., with upward potential depending on the grade of the ore.

At year end, construction of the Phase II mill was more than 40% complete. The Counter Current Decantation area was enclosed and the thickeners installed. The solvent extraction building was completed, equipment installed and work was underway on piping.

The underground contractor moved onto site in August and commenced rehabilitation of the 'OP' mine in preparation for driving a decline to the Dominic-Peter ore deposit and development of the 'OP' deposit.

Rehabilitation work progressed more slowly than planned as ground conditions proved much worse than expected. The work was completed in November and the advance of the decline to Dominic-Peter and 'OP' started in December. By year end, approximately 100 meters of decline and 40 meters of raise were completed.

Construction activity on the Phase II Counter Current Decantation area. By year end, the building was nearly 50% complete. Photo courtesy Stearns Catalytic Ltd.

CLIFF LAKE

Exploration

Highlights of the exploration year were the confirmation of a major uranium discovery on the Waterbury Lake joint venture and a gold discovery by the Star Lake joint venture, operated by SMDC, in the Brabant Lake area.

Following the 1982 pattern, SMDC has continued to narrow the focus of its exploration activities, concentrating on projects with the most potential and releasing its rights to less favourable projects. The major emphasis this year was on easily-accessible, potentially high-grade properties located near existing production facilities. Activity in 1983, therefore, was confined mainly to further examination of relatively advanced projects.

The Corporation also continued with its farmout policy in 1983. SMDC farmed out seven uranium and two gold and base metals projects which brought new partners into exploration activities in Saskatchewan. Three out-of-province projects were also farmed out. Farmouts of uranium properties to foreign utilities were particularly encouraging since they demonstrate both a long-term commitment to nuclear power by the utilities and the confidence of the utilities in SMDC and in Saskatchewan uranium as a secure source of supply.

Sales were completed in 1983 of a 4.5% interest in the Dawn Lake project and the Corporation's 50% interest in the Mafeking lime project.

Major SMDC exploration projects.

Uranium

Exploration was carried out on 24 uranium projects, all of which were in joint venture with other companies. Six of these projects were managed by SMDC. Nine projects each had budgets in excess of $750,000.

Waterbury Lake - A major, high-grade uranium deposit, the Cigar Lake deposit, was announced late in the year by the Waterbury Lake joint venture in which SMDC has a 50.75% interest. This joint venture, operated by SERU Nucléaire (Canada) Limitée, drilled 65 additional holes over a length of 600 m on the Cigar Lake structure. Based on two cross-sections of holes spaced 10 m apart and a longitudinal section of drill holes 25 m apart, uranium mineralization shows good continuity with a maximum width of about 100 m. The mineralization is of very high grade, with several holes exceeding 10% U_3O_8 over a thickness greater than 10 m.

As in the Key Lake deposit, this mineralization occurs at the base of the Athabasca sandstone and is associated with arsenic, cobalt, nickel and sulphide minerals in variable amounts. The Cigar Lake deposit is at a depth of 410 to 440 m.

No work was carried out in 1983 on the western part of the structure, which has a total length of 1,700 m and is open-ended. Significant mineralization has also been intersected on a second structure at Tibia Lake, located about 800 m north of the Cigar Lake structure.

Preliminary engineering and mining studies and environmental base-line studies began in 1983 and will continue next year. Based on 1983 drilling, the indicated reserves of the Cigar Lake deposit were very conservatively estimated at 125 million lbs. U_3O_8. Recent work indicates substantial expansion of these reserves. Cigar Lake is located 115 km northeast of the Key Lake mine.

Dawn Lake - The joint venture partners carried out a major evaluation of data from previous years in preparation for further exploration drilling. Reserve estimates for the 11-14 zone are in the 30 to 40 million lbs. range, at a grade of 2.0% U_3O_8. SMDC interest in this project is 50.086%.

Other Major Uranium Activities - In 1983, drilling took place on several joint venture properties located close to the established mining areas at Cluff Lake, Key Lake and Rabbit Lake. Other drilling activities were concentrated in the south-eastern part of the Athabasca Basin where it is underlain by favourable basement rocks of the Wollaston belt.

The Cree-Zimmer project includes the large, geologically-favourable area surrounding the Key Lake mine. Drilling continued during the year under management of Uranerz Exploration and Mining Limited. SMDC is a 50% partner.

The Corporation continued to participate in exploration projects managed by Amok Ltd./Ltée. in the established uranium mining area around Cluff Lake. Drilling was carried out in several areas having potential for deposits of the basement and unconformity types. SMDC interest varies from 20% to 50%.

Drilling continued on the McArthur River project where results from the 'BJ' area have included anomalous uranium values in widely-spaced drill holes. SMDC operates this project in which it has a 51.359% interest.

Drilling progressed on the Studer-Umpherville project located south of Dawn Lake. AGIP Canada Limited, the operator, is investigating conductivity anomalies related to graphite in a favourable structural environment. SMDC interest is 40%.

After several years of reduced activity exploration started up again on the Hatchet Lake project under SMDC management. This property, located north of the Rabbit Lake mine, includes targets at both shallow and intermediate depths. SMDC interest is 38.06%.

The Saskatchewan Mineral Venture, operated by Eldor Resources Limited, is exploring lands located immediately north and south of the Rabbit Lake mining area. This project includes the Eagle Point North uranium deposit. SMDC owns a 33 1/3% interest.

Prospectors using a scintillometer to check levels of radioactivity. The numbers on the tape show the levels found in these boulders.

Gold & Base Metals

The Corporation participated in 15 gold and base metals exploration projects during 1983. Eight of these projects were managed by SMDC. Four were in the reconnaissance stage, eight were in the preliminary drilling stage, and three projects involved delineation drilling in areas of established mineralization.

Star Lake - The Star Lake project is located near Brabant Lake, 6 km off Highway 102. SMDC owns 50% of the project and acts as operator. Drilling in 1983 intersected high-grade gold mineralization in the discovery hole, drill hole 21, which averaged 1.39 oz. gold per ton over 15.4 m core length. Holes 40 m along strike from hole 21 intersected 0.529 oz. per ton over 7.0 m on the northeast side, and separate sections of 0.209 oz. per ton over 1.0 m, and 0.166 oz. per ton over 0.5 m on the southwest side. The mineralization has been traced to a depth of 50 to 60 m and was open at depth at year end.

During the year, 16 drill holes were completed, nine of which intersected significant gold values in quartz veins. This zone of multiple quartz veins strikes northeastward with a potential length of 650 m on the property. A length of about 340 m is known to be mineralized.

Further drilling is planned in 1984 to determine the size of the zone discovered in hole 21 and to explore the remainder of the structure.

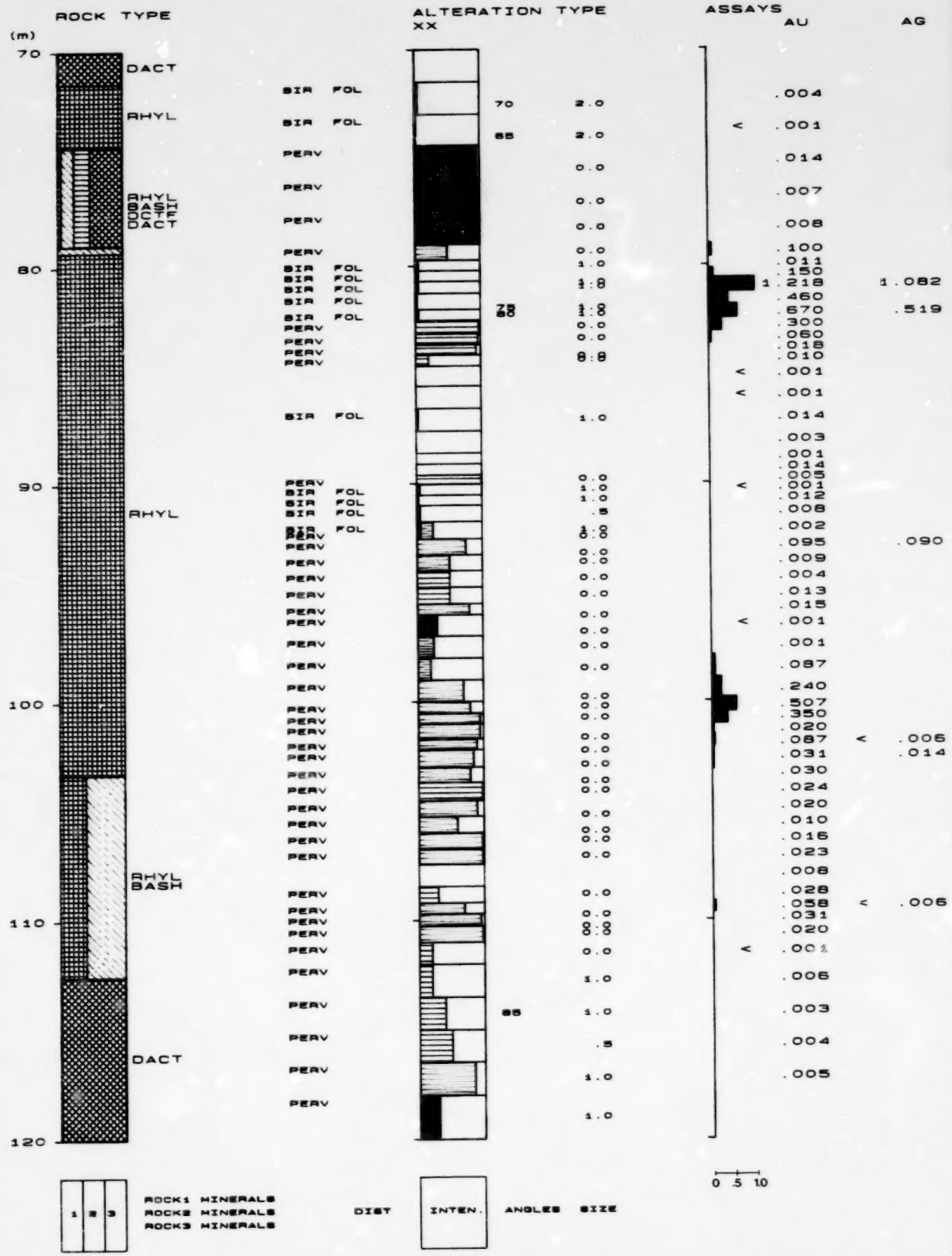
Bigstone - A total of 30 drill holes and wedged offset holes have been completed on the deposit. Results indicate continuous mineralization from 70 m to a depth of 550 m. The mineralization consists of a disseminated copper zone estimated to contain 3 million tons at an average grade of 2.6% copper, and a zinc-rich massive sulphide zone estimated to contain 700,000 tons at an average of 10% zinc. SMDC has a 50% interest in the project.

Other Projects - SMDC participated in five other gold exploration projects in the Star Lake area. Drilling was carried out on the Wedge Lake and Weedy Lake projects in 1983, while ground surveys on the Neyrinck, Tower and Oven joint ventures prepared these projects for later drilling.

Revised regulations, permitting controlled mineral development within La Ronge Provincial Park, allowed SMDC to return to gold properties in this area. Ground surveys were carried out in preparation for drilling in 1984.

Exploration drilling was carried out on gold and base metals projects in the Amisk Lake-Hanson Lake area and on a gold property in the Uranium City area.

Neyrinck camp, located at Waddy Lake. Ground surveys were carried out in 1983 in order to prepare this gold project for drilling.


ROCK TYPE
(m)
70
80
90
100
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DACT
RHYL
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ROCK1 MINERALS
ROCK2 MINERALS
ROCK3 MINERALS
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SMDC recognizes the importance of both developing and monitoring new technology to ensure human and environmental safety and to maintain the Corporation's competitive position.

Factors such as depth, ore grade and ground conditions can combine to pose considerable challenges to the Corporation's mine development staff. The Cigar Lake uranium deposit is very high grade but located too far beneath the earth's surface for open-pit mining. Since the lead time for the practical application of new technologies is lengthy, research is being conducted into potential mining methods to safely extract these high-grade reserves.

The Corporation is reviewing remote control mining methods in use and under development throughout the world. While progress in automating mining activities has been made, there is still a requirement for umbilical or line-of-sight contact.

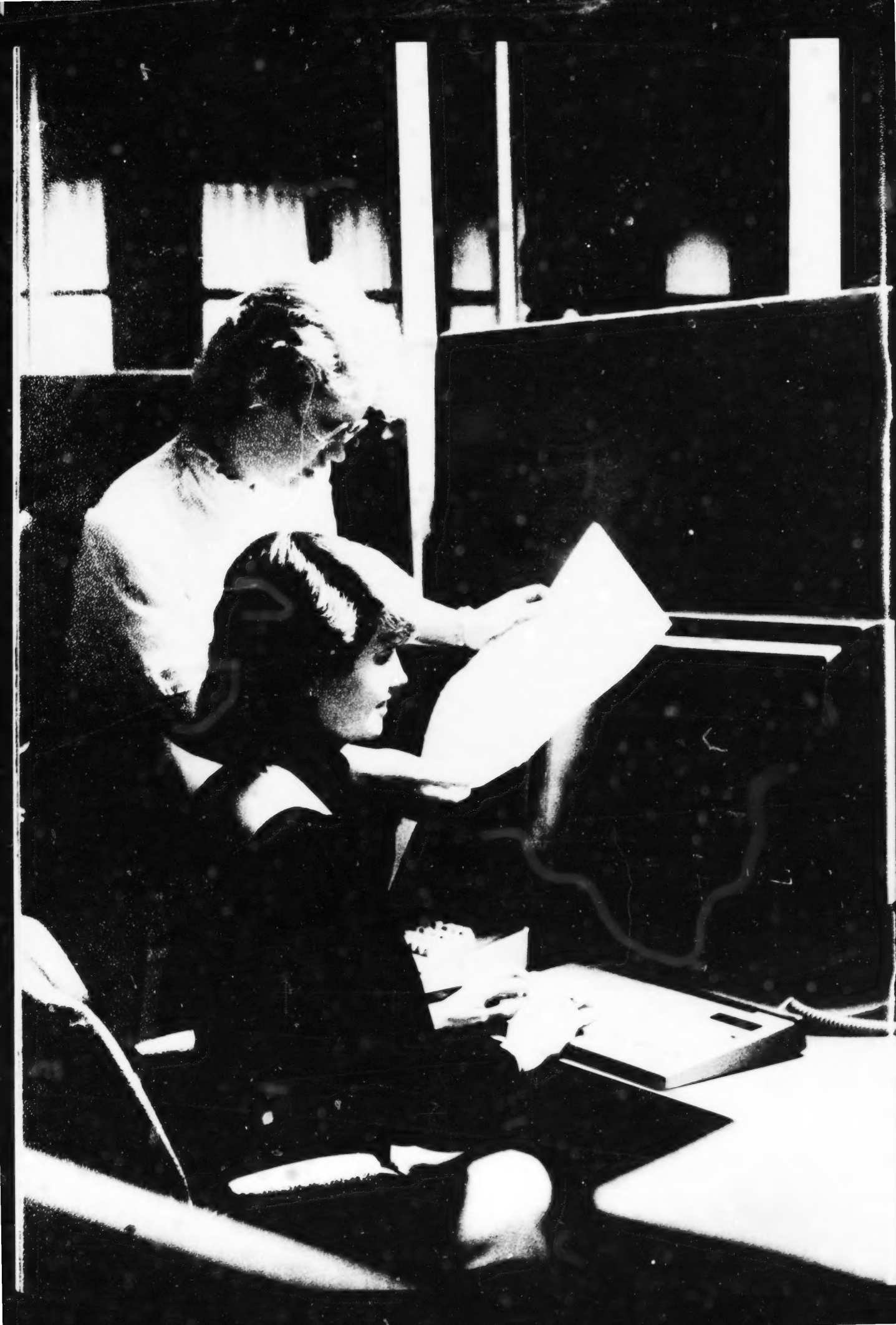
SMDC utilizes mathematical models that predict levels and types of radiation in ore bodies. These models were used in the environmental impact studies for the Cluff and Key Lake uranium mines. With these mines now in operation, field data have been accumulated that can be compared to predicted results. The objective of this research is to provide more finely-tuned predictions about the levels and types of radiation for future developments.

Continuing research into exploration techniques has resulted in application by the Corporation of improved methods to assist in the search for valuable minerals. Uranium mineralization occurs along faults, fractures and broken zones in the Athabasca sandstone. The trend and inclination of these features can now be traced with the aid of a newly-developed instrument called a five axes drill core goniometer. This information has proved useful in selecting sites for exploratory drill holes.

A new audio-magnetotelluric survey system, developed at the University of Saskatchewan, was field tested by SMDC this year. Analysis of the naturally-occurring electromagnetic field over a wide range of frequencies allows the computer to prepare a simulated geological map of the basement rocks underlying some hundreds of meters of Athabasca sandstone. This technique has the potential to identify basement rock types and alteration zones in sandstone favourable for the occurrence of uranium deposits.

Computer-assisted geological drill hole logging was implemented after two years of development. Many kinds of geological data are recorded for plotting and statistical comparisons. The computer-generated plot on the left shows three kinds of data at different depths in the drill hole including various rock types and proportions, varieties of rock alteration associated with gold mineralization and gold and silver assays.

Computer-generated plot of drill hole.



Management's Responsibility for Financial Reporting in the Annual Report

Management has prepared the financial statements of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis. The financial data included elsewhere in this report is consistent, to the extent applicable, with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

The auditors, appointed each year by the Board of Directors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report as auditors is set forth on page 26.

The statements have been examined and approved by the Board of Directors.

On behalf of the Corporation,

Vice President
Finance and Administration

Increasing productivity is an on-going corporate objective. Well-designed work areas and the efficient application of a computerized information retrieval system help SMDC realize this goal.

Auditors' Report

To the Members of
The Legislative Assembly,
Province of Saskatchewan

We have examined the consolidated statement of financial position of Saskatchewan Mining Development Corporation as at December 31, 1983 and the consolidated statements of operations, reinvested earnings and changes in financial position for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Saskatoon, Canada,
March 19, 1984.

Chartered Accountants

Consolidated Statement of Earnings

Saskatchewan Mining Development Corporation
Year ended December 31, 1963

	1963	1962
	(thousands of dollars)	
Revenue:		
Sales of product	$12,324	$34,707
Interest from short-term investments	2,402	10,206
Other	591	151
Gain on sale of mineral properties	1,779	—
	16,096	35,064
Expenses:		
Operating expenses	4,174	5,423
Depreciation and amortization	7,268	12,094
Provincial royalties and taxes	681	1,054
Exploration project areas written off	3,776	10,997
	15,139	29,568
Net earnings	$ 2,959	$ 5,496

(See accompanying notes)

Consolidated Statement of Reinvested Earnings

Saskatchewan Mining Development Corporation
Year ended December 31, 1963

	1963	1962
	(thousands of dollars)	
Reinvested earnings (deficit) beginning of year	$ 10	$(4,286)
Net earnings	2,959	5,496
	2,969	1,210
Less dividend	1,959	1,200
Reinvested earnings, end of year	$ 1,010	$ 10

(See accompanying notes)

Consolidated Statement of Financial Position

Saskatchewan Mining Development Corporation
December 31, 1983

	1983	1982
	(thousands of dollars)	
Assets		
Current:		
Cash and short-term deposits	$ 6,368	$ 18,343
Due from joint venture partners	586	454
Accounts receivable	1,901	11,736
Inventories (note 3)	5,100	4,091
Prepaid expenses	104	353
	13,959	34,977
Property, plant and equipment (note 4)	798,779	611,098
Deferred financing costs less amortization	18,809	7,635
	$831,547	$653,650
Liabilities and Province's Equity		
Current:		
Bank indebtedness	$ 7,486	$ —
Due to joint venture partners	728	1,633
Accounts payable	18,283	18,898
Dividend payable	1,250	1,250
Accrued interest on long-term debt	28,232	23,232
	55,979	45,013
Deferred revenue (note 5)	65,884	13,964
Long-term debt (note 6)	447,659	344,782
Total liabilities	569,522	403,759
Province of Saskatchewan's equity:		
Advances (note 7)	249,841	249,841
Reinvested earnings	12,184	10
	262,025	249,851
	$831,547	$653,650

(See accompanying notes)

[illegible]

[illegible]
Year ended December 31, [illegible]

	[illegible]	[illegible]
	(thousands of dollars)	
Sources of cash:		
Cash provided by operations:		
Net income	$ [illegible]	$ 36,707
Operating expenses	[illegible]	[illegible]
Provisions, royalties and taxes	[illegible]	(1,951)
	[illegible]	[illegible]
Increase (decrease) in operating working capital:		
Due from joint venture partners	[illegible]	271
Accounts receivable	[illegible]	(10,547)
Inventories	[illegible]	(1,278)
Prepaid expenses	[illegible]	[illegible]
Accounts payable	[illegible]	[illegible]
Due to joint venture partners	[illegible]	(3,287)
	[illegible]	(4,886)
	[illegible]	[illegible]
Other sources of cash:		
Proceeds on disposal of fixed assets	[illegible]	51
Proceeds on sale of mineral properties	[illegible]	—
Deferred revenue	[illegible]	[illegible]
Long-term debt	[illegible]	[illegible]
Interest revenue	[illegible]	[illegible]
Other	[illegible]	[illegible]
	[illegible]	[illegible]
Total sources of cash	[illegible]	[illegible]
Uses of cash:		
Cash invested in property, plant and equipment	[illegible]	[illegible]
Cash committed to financing activities:		
Deferred financing costs of new issue	[illegible]	[illegible]
Interest	[illegible]	[illegible]
Dividends	[illegible]	—
	[illegible]	[illegible]
Total uses of cash	[illegible]	[illegible]
Increase (decrease) in cash	[illegible]	[illegible]
Cash (indebtedness) beginning of year	[illegible]	[illegible]
Cash (indebtedness) end of year	$ [illegible]	$ [illegible]

Note: Cash includes short-term deposits and bank indebtedness.

See accompanying notes.

Notes to Consolidated Financial Statements

Saskatchewan Mining Development Corporation
December 31, 1983

1. Accounting Policies

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements.

Consolidation Principles

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary SMD Mining Co. Ltd.

Joint Ventures

The Corporation's assets and liabilities relate primarily to its 20% interest in the Cluff Mining partnership, its 50% interest in the joint venture operated by the Key Lake Mining Corporation and its interests in other joint ventures varying from 10% to 85%. These interests are accounted for by the proportionate consolidation method.

Inventories

Broken ore and concentrates are valued at the lower of production cost and estimated net realizable value. Supplies are valued at the lower of average cost and replacement value.

Production Facilities and Equipment and Depreciation

Production facilities and equipment are depreciated by the unit of production method over the estimated economically recoverable ore reserves or by the straight line method if the estimated useful life of the asset is less than the estimated mine life.

Other facilities and equipment are depreciated by the straight line method at rates varying from 10.0% to 33.3%.

Deferred Mineral Property Costs and Amortization

Each group of contiguous mineral properties is accounted for separately and is designated as a project area. All acquisition of mineral properties, exploration, development and other expenditures relating to each project area are deferred and carried at cost with the intention that they will be amortized by charges against earnings from future mining operations. At such time as it is deemed that a project area does not contain economically recoverable ore reserves the related deferred expenses are written off to earnings.

The decision to develop a producing mine property within a project area will be based on an assessment of the prevailing conditions at that time. No depreciation or amortization will be provided on such a property until commercial production commences. After a mine property has been brought into commercial production, any additional work on that property will be expensed as incurred, except for large development programs, which will be deferred and amortized over the related remaining reserves.

Deferred mineral property costs are amortized against related production revenue by the unit of production method based on the property's estimated economically recoverable ore reserves.

Capitalization of Interest

Interest is capitalized on expenditures related to construction or development projects. Capitalization is discontinued when the asset is ready for its intended use or development ceases.

Debt Financing Costs

Long-term debt premium, discount and issue costs are deferred and amortized over the term of the issues to which they relate. The amortization is included with interest as a cost of borrowing.

Foreign Exchange Translation

Current assets, current liabilities and long-term debt denominated in foreign currencies are translated into Canadian dollars at the year-end rate; revenue and expenses are translated at rates in effect during the year.

Foreign exchange gains or losses arising on translation of long-term debt are deferred and amortized over the remaining terms of the debt. The amortization is included with interest as a cost of borrowing. All other foreign exchange gains or losses are reflected in the consolidated statement of operations.

2. Status of Saskatchewan Mining Development Corporation

The Corporation was established by Order-in-Council 609B/74 dated June 4, 1974 and continued under the Saskatchewan Mining Development Corporation Act, 1977. The Corporation's accounts are included in the annual consolidated statements of Crown Investments Corporation of Saskatchewan.

[illegible] to Consolidated Financial Statements
[illegible] Mining Development Corporation
December 31, 1988

3. Investments

	1988	1987
	(thousands of dollars)	
Bonds, net and accumulated	$ 3,000	$ 3,051
Equities	2,400	1,000
	$ 5,400	$ 4,051

4. Property, Plant and Equipment

	1988	1987
	(thousands of dollars)	
Producing properties:		
Production facilities and equipment	$ 18,804	$ 17,807
Deferred mineral property costs	27,781	27,781
	46,585	45,448
Less accumulated depreciation and amortization	30,098	28,074
	16,272	25,374
Non-producing properties:		
Deferred mineral property costs		
Exploration projects	108,289	108,417
Cluff Mining Project - Phase II	111,978	99,439
Key Lake Project	408,588	345,417
	778,855	557,854
	$795,778	$571,028
Property, Plant and Equipment (includes interest incurred and capitalized during the year	$ 99,000	$ 87,000
Depreciation	$ 2,000	$ 2,000

6. Deferred Revenue

The Corporation has obligations under the terms of two product loan agreements as follows:

Pounds of uranium concentrate			
Borrowed and sold	To be repaid, subject to prior notice on or before December 31	Annual charge per pound	
200,000	1995	$1.40 U.S.	
1,935,121	1999	91% of the transaction value published by the Nuclear Exchange Corporation (NUEXCO) one month prior to loan anniversary, provided that the transaction value not exceed $35.00 U.S. or fall below $17.50 U.S.	

The deferred revenue will be included in earnings as uranium concentrate are delivered to the lender. To date, no revenue from sales of borrowed product has been recognized.

If the Corporation should be unable to meet its obligation to return the borrowed concentrate in kind, the lender of the 200,000 pounds of uranium concentrate may purchase concentrate from an outside party and the Corporation must reimburse the lender for all costs related to the purchase.

In order to secure the 1,935,121 pounds of uranium concentrate, the Corporation has entered into irrevocable letters of credit [illegible] Province of [illegible] payment continues [illegible] U.S. If the Corporation should [illegible] to the other, there is [illegible] in kind, [illegible] the [illegible] of production.

Notes to Consolidated Financial Statements

Saskatchewan Mining Development Corporation
December 31, 1983

6. Long-Term Debt

	1983	1982
	(thousands of dollars)	
Floating rate debenture Series A unconditionally guaranteed by the Province of Saskatchewan mature on March 1, 1985 subject to prior redemption with interest payable quarterly at a rate of ¼ of 1% less than the average prime rate of the Royal Bank of Canada	$ 65,000	$ 65,000
Province of Saskatchewan notes of $100,000,000 U.S. mature on November 15, 1988 subject to prior redemption with interest at 16¼% payable annually	124,440	122,880
Province of Saskatchewan notes of $50,000,000 U.S. mature on March 15, 1989 with interest at 16% payable annually	62,220	61,440
Province of Saskatchewan notes of 150,000,000 Swiss francs fully hedged at $77,662,684 U.S. mature on March 1, 1993 with interest at 15⅝% payable annually	96,643	95,432
Province of Saskatchewan notes of $75,000,000 U.S. mature on March 15, 1990 with interest at 15¾% payable annually	93,330	—
	[illegible]	[illegible]

7. Province of Saskatchewan's Equity

Advances are non-interest bearing and are payable at the discretion of the Province. Advances to date have been obtained from:

	1983	1982
	(thousands of dollars)	
The Saskatchewan Heritage Fund	$218,700	$218,700
Crown Investments Corporation of Saskatchewan	31,141	31,141
	$249,841	$249,841

8. Commitments

The Corporation has financial commitments under various joint venture agreements it has entered into in the normal course of operations. The Corporation is required to pay its proportionate share of the exploration and development expenditures to maintain its interest in each joint venture.

9. Related Parties

Included in these financial statements are expenses amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

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